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ABSTRACT

Two position papers on higher education in Massachusetts in the 1980s, which were prepared by the Alden Seminar for Higher Education, are presented. In addition, an overview of the Alden Seminar meeting (Boston, Massachusetts, October 1983), which examined proposals for a Higher Education Development Corporation, is included. In "Adjusting to the Eighties: A Proposal for Assisting Higher Education in New England," Stephen R. Lewis, Jr. and Michael S. McPherson propose that a new organization be formed that would provide analytical and planning assistance to higher education in the New England region. Operations of the organization are discussed, including governance, criteria for assisting institutions, types of assistance to institutions, sources of technical assistance, sources of finance, and the relation to public and private institutions. Comments by Jill K. Conway in support of a Development Corporation for Higher Education in Massachusetts are included. Dorothy N. Marshall and Franklin Patterson's position paper, "A Massachusetts Higher Education Development Corporation: A First Step," provides an overview of the proposed corporation. The corporation would assist higher education in Massachusetts to adapt to the changing circumstances of the next decade. Brief biographies of Alden Seminar participants are appended. (SW)

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The Alden Seminars

A White Paper

Massachusetts Higher Education in the Eighties:

Proposals for Development

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Independent and public higher education constitutes a major resource of the Commonwealth of Massachusetts and has a very significant total economic impact on this state. Industry is strengthened by this resource and the attributes of its higher education system help make Massachusetts an attractive place to live and work. Higher education has entered a dangerous decade characterized by inflation and escalating costs, declining resources, a precipitous decline in the traditional college age population, and the absence of rational planning in the public sector.

In recognition of these formidable problems the Association of Independent Colleges and Universities of Massachusetts and the Center for Studies in Policy and the Public Interest at the University of Massachusetts at Boston saw the need for an on-going forum in which influential leaders from business, industry, and higher education, both private and public, might strive to create broad public and governmental awareness of these matters.

To establish such a forum application was made to the George I. Alden Trust for financial support to organize a series of seminars to be held during 1981-82, in which a group of twenty educational, business, and industrial leaders would meet together to discuss substantial position papers dealing with major issues in higher education and to identify possible solutions for problems and areas for action. After each seminar the goal was to publish a "white paper" which would make a contribution to a better informed public and which could be useful to those entrusted with policy formation. Continuing Ford Foundation support has greatly enhanced the Seminar's outreach. Four Seminars are scheduled for 1983-84. The first, which this White Paper represents, was held at the University of Massachusetts/Boston on October 26th.

Representing the Steering Committee of the Alden Seminars, we would like to take this opportunity to express our deep appreciation to the George I. Alden Trust for its continued generous support and to the Gillette Corporation, Houghton Mifflin Company, the New England Electric System and the Stop and Shop Corporation for most helpful contributions toward making the program possible. We are also extremely grateful to the Ford Foundation for including in its support additional funds for increased dissemination. Recognition is also due Wilson Pile, Staff Associate at the Center for Studies in Policy and the Public Interest and Editor of the White Papers, and the good efforts

Sponsored by
Association of Independent Colleges and Universities of Massachusetts
and
The University of Massachusetts at Boston

of Mrs. Sylvia Bengen, Staff Assistant. Thus far the Alden Seminars reflect both accomplishment and promise -- to all involved, far too many to continue enumerating, we express our thanks.

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THE ALDEN SEMINAR

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1983-84

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Overview and Outcomes

On Wednesday, October 26, 1983, the members of the Alden Seminar met for the afternoon at the Harbor Campus of the University of Massachusetts at Boston. Their purpose, in this first of four scheduled sessions during this academic year, was to examine the proposals for a Higher Education Development Corporation which arose from the recommendations of the previous Seminar session of April 28, 1983. Regular Alden Seminar participants include chief executives of important business and industrial concerns in the Commonwealth as well as chief executives from a number of private and public colleges and universities.

At the beginning of the session Seminar members heard welcoming comments from Chancellor Robert A. Corrigan of the University of Massachusetts at Boston. Dr. Dorothy N. Marshall, Coordinator for the Seminar, thanked the Chancellor for the use of his Conference Room and his many other contributions to the Seminar, then introduced the new 1983-84 Seminar participants present. She then introduced the special guests present at this session, Francis Dewey, III, of the Alden Trust and Melvin Bernstein of the New England Board of Higher Education, then turned the session over to Father John Brooks, President, the College of the Holy Cross, to serve as moderator.

Jill Conway, President of Smith College and of the Association of Independent Colleges and Universities of Massachusetts for 1983-84, commented briefly on the critical public/private mix which characterizes Massachusetts higher education and on the need for strategic planning to maintain it through the upcoming period of demographic change. A commentary by President Conway is presented as part of this White Paper.

Michael S. McPherson, Associate Professor of Economics, Williams College, then commented on the paper he had written with Stephen Lewis, making note of the need for serious change in New England higher education, and their belief that the necessary change might best be accomplished through a totally independent organization, and that this organization ought to be regional to minimize political interference. Their paper is presented as part of this White Paper.

Dorothy Marshall and Franklin Patterson, representing the Alden Seminar steering committee, then briefly commented on a proposal for a Massachusetts Higher Education Development Corporation which they believed to be a prudent first step before contemplating a regional organization. A state-based corporation they felt more accurately reflected the sense of the April 28th session when the concept of a development corporation was first discussed. Their proposal is included as part of this White Paper.

Extensive discussion ensued over these proposals. Among the concerns expressed by Seminar participants were the following:

- As the Board of Regents already has responsibility for planning for the public sector, these proposals are fundamentally responses to private sector needs.

- A regional organization, relying on six governors and six legislatures, is unlikely to succeed.

- Planning and change, either in business or in academia, is best accomplished from within the institution.

- Is it realistic to expect the Commonwealth to undertake a major new funding commitment in the area of higher education at a time when the state's financial structure is under enormous pressure?

Consensus was not achieved at this session. It was proposed and agreed that the subject be referred to a sub-committee for further definition and consideration. The Steering Committee agreed to establish this sub-committee. Its findings will be reported to a subsequent seminar. The Seminar adjourned until January 18, 1984.

Position Paper

Adjusting to the Eighties:

A Proposal for Assisting Higher Education in New England

Delivered to the Alden Seminar of Higher Education
on Wednesday, October 26, 1983
by Stephen R. Lewis, Jr., and Michael S. McPherson
Williams College

I. Statement of the Problem

The demographic problems currently facing post-secondary education throughout the United States are well-known: The number of eighteen-year-old men and women who are potential students in post-secondary educational institutions will decline substantially through the 1980's, and will not recover until the 1990's at the earliest. There are special difficulties facing New England, in view of the shift of population out of the region, so that the cyclical decline in this region is exacerbated by the secular movement of population away. Obviously, the impact on post-secondary education of a substantial decrease in the number of potential students has major implications for the size as well as the structure of post-secondary education.

It should be clear that these problems are not those of any particular institution. Rather, they are systemic difficulties which will cross political boundaries and will affect all types of institutions, public and private, sectarian and non-sectarian, two-year and four-year, liberal arts or technically specialized.

In addition to the systemic problems that will be particularly severe in New England, there are major issues connected with the problems of structural unemployment and the need to continually retrain some portions of the adult population as technology changes and the nature of job requirements shifts within the region. These issues raise new opportunities as well as new challenges for post-secondary education.

In view of the very substantial changes in the number of students, it is highly likely that there will be significant modifications to the structure of post-secondary education. It is unlikely that a system with thirty percent fewer students in it, for example, will have the same proportional representation of different types of institutions. Further, many institutions would find it very hard to survive with thirty percent fewer students even if proportional shrinkage of each institution could be imagined. Many institutions will simply not survive in their present form through the next decade, some will merge with other institutions.

Despite the clear problems ahead and the fact that they cross institutional and political boundaries, no institution or organization appears to be examining the difficulties and challenges both from an overall point of view and with a mandate to do something about them. In principle, state commissions of higher education and the federally mandated "1202" commissions come closest to performing this role, but they are handicapped in several ways. First, their mandate to influence private higher education is often unclear. Second, because of their close connection with the disbursement of state revenues for public institutions, their political room for maneuver and the exercise of independent judgment is often quite limited. And finally, some of the most important problems and challenges extend beyond the borders of individual states.

The history of the adjustment process so far seems to have a few lessons. In the first place, the very strong institutions don't need to worry. They are already engaged, for the most part, in planning exercises and in adjustments in order to cope with the upcoming difficulties. They are unlikely to lose very many students in total numbers, and their share of the students will doubtless rise. The weaker institutions, on the other hand, tend to have limited resources to devote to planning and coping. Further, weakness in the applicant pool and in finances tends to feed upon itself, so that when institutions get into serious trouble they disappear relatively quickly, resulting in a loss of both human and physical resources to the higher education system. Further, when the problem is addressed from the standpoint of individual institutions, an understandable degree of myopia is necessarily involved in the process.

Nor can we trust the unaided "market" to work out the adjustment of higher education to declining enrollments. There is no doubt that the market will "work", in the limited sense that an adjustment will take place de facto. But there is little reason to expect that unaided adjustment to be either efficient or fair. This is in part because the market that exists in higher education is already so far imperfect. In a market heavily shaped by patchworks of federal, state, and private subsidies of various kinds, with prices bearing so little relation to costs, there is no reason to expect the unguided results of markets processes to be "right". Moreover, the very rapidity of the change we expect undermines the case for relying solely on the market, which is at its best in an environment of stability or gradual change. Of course, planning processes have serious limitations of their own, but we believe there is a strong case for believing that modest and well thought out interventions can improve the inevitable adjustment process in the period ahead.

We propose, then, that a new organization be formed, dealing with the entire New England region, with all sectors of post-secondary education, and with a mandate both to examine the problems from an overall point of view and to provide technical expertise as well as modest amounts of additional financial assistance to help the post-secondary educational system in New England make the transition that must surely come between now and the middle 1990's. While it would be misleading to suggest that all institutions will or should survive in their current form over this coming decade, it appears to us that there would be substantial benefits from approaching the transition in a planned manner, rather than a haphazard one, with the aim of assisting the restructuring of the resources, human, physical and financial, that are devoted to higher education in New England in order to maintain a strong, diverse set of institutions and a wide range of opportunities for potential students. Unless such an overall perspective is brought to bear, we will have a result based only on the wits and resources of individual actors in the system, and that is likely not to serve anyone's interests very well.

II. The Proposal in Brief

The organization as we currently envisage it would be regional in scope, including the entire New England group of states. While this is not a perfect "catchment area" for post-secondary students attending institutions in New

England, we believe that it strikes a reasonable balance between having a group wide enough to capture significant inter-state movements of students while still being manageable. (The next logical state to include would be New York, which would be so large relative to the New England group that it would create a new set of problems of its own. If the proposed organization is in fact successful, the opportunities for expanding its scope would present themselves in the future.) Defining the organization over a region rather than a single state, while raising significant problems of coordination, has the important advantage of helping preserve its independence from the particular political configurations of any one state.

Because of the desire to include a broad mandate stretching across public and private sectors, and because of the fact that some institutions will have to be induced to make changes that they would prefer not to make (but which may be forced upon them by events), we suggest that the governing board of this organization be composed of individuals from several constituencies: those appointed from the political arena, faculty members from different types of institutions, individuals who come from a background of educational administration, and representatives of the private corporate sector in the region.

The organization would provide analytical and planning assistance to institutions, and it would be a vehicle for providing and for helping arrange temporary financial support to implement the plans of some of those institutions in this difficult transitional period ahead of us. In overall terms, we would hope that the organization would assist the system as a whole in developing sensibly from the point of view of all constituencies in the New England region: students, faculty members, potential employers, and the public at large.

In thinking of the model for this proposal, an analogy with the World Bank and the International Monetary Fund comes to mind. Those institutions provide financial assistance to member country governments, but in doing so they provide detailed reviews of the plans and policies of those countries. Financial assistance is dependent on meeting conditions that, it is hoped, will ensure the successful development of those nations. The reason we find this analogy helpful is that the financial assistance we envisage would not be an entitlement program. Assistance would only be available to institutions that were undertaking planned changes that made sense from the standpoint of the overall development of the system in the New England region. This obviously means that discretion would be required and that criteria for assistance would have to be well understood by all participants. However, it is clear that the financial resources that would be required to simply keep all institutions afloat in their present state will not be forthcoming, given the very substantial drop in the number of potential students. In fact, it is precisely because the system has to change its structure that we urge the development of an organization that would focus attention on providing technical planning assistance, but that would also have reasonable amounts of financial resources to disburse on the basis of agreed plans within the context of restructuring the entire system of post-secondary education in New England.

This institution, in addition to being something other than an entitlement program, should be "entrepreneurial" rather than "bureaucratic" in its approach. It is evident that we must think in terms of new ways of doing things if we are to deal successfully with the problems of the next decade. The organization would operate with a very small professional staff, and would draw on other resources in the region, some volunteer, some on short-term assignment, as outlined more fully below.

In order to emphasize the purpose of the organization in assisting during a very difficult transitional period, we would suggest that the organization be established with a finite life (tentatively suggested as ten years). While the directors of the organization could reconstitute it at the end of that time if it appeared to be continuing to have a useful function, we believe it would be very useful to state the limit of life from the outset so that there is no accidental slippage into the politics of maintaining a bureaucratic structure for its own sake.

III. Operations of the Organization

While a great deal of work remains to be done on outlining the full nature and scope of the proposed organization, we have considered a number of issues and have tentative suggestions, as well as a further list of questions, to suggest in relation to the proposed organization.

Governance. We see the organization as a non-profit incorporated body, which would include political appointees but would be independent of any political jurisdiction. As indicated earlier, we see the members of the board as being drawn from the political arena (perhaps appointed by governors), faculties of varying kinds of institutions, administrators of varying kinds of institutions, and corporate representatives. A major issue, however, is the selection of membership on the board. We have not in any way resolved this in our own minds, but clearly there should be some link between the appointment process and the sources of finance to the organization. For example, one can think of certain advantages in having "members" of the organization, wherein the subscription of the membership fee would entitle one to a voice in the selection of the directors. This has obvious problems, as the experience of the World Bank and the IMF have amply demonstrated. However, we do believe that both public and private sector representation is important, as is representation directly from the higher education community and those outside it.

An important issue is the relation between this new organization and the state agencies and commissions that currently oversee public higher education in the various states. Obviously, there will be a risk of state agencies being defensive and suspicious of a new entity that may threaten their power and compete with them for scarce resources. On the other hand, we suspect that perceptive people involved in the management of state higher education systems see the need for a more global perspective and themselves may feel hamstrung by the political constraints under which they are forced to operate. A responsible and independent organization that could effectively make the case for a rational and balanced approach to issues in higher education planning might well come to be seen as an ally by important figures in state higher education systems.

Relations of the proposed organization with each of the New England states are also important. Without political and financial support from the state governments, the organization is not viable. And yet a reasonable degree of independence from the political exigencies of particular states is also critical to the organization's performing its role. One way of ensuring accountability in the use of state funds while safeguarding independence might be to require the organization to spend all the funds contributed by a particular state within that state, but not otherwise to constrain the use of those funds, apart from requiring spending within agreed policy guidelines for the organization.

These problems about governance and about the relations of this organization to existing bureaucracies are crucial and difficult. A good deal more work needs to be done on them. The Alden seminar, with its representation from all sectors of higher education and from the corporate world, is an ideal forum for exploring these issues in more depth.

Criteria for Assistance. In discussing which institutions should be assisted and under what conditions, we would stress again that the organization is not in business to assist the well-off and strong institutions. Further, it should be abundantly clear that real change in the system is required if the number of students is going to drop by anything like the current projections. We wish to stress yet again that our aim is not to create a homogeneous system in the region. It is, indeed, because of the great value of New England's educational diversity that we feel that an organization aimed at assisting in a rational transition has a role to play. Evaluation of candidates for assistance should as much as possible refrain from passing judgment on the inherent worth of the self-defined educational mission of an institution. The main questions to be asked are how well the institution is going in achieving its mission as its members understand it, and what they can do to meet those goals better.

We therefore believe that the principal criteria to be used in selecting institutions to receive assistance are, first, their need for technical or financial help, second, their willingness to analyze their own position and, third, their willingness to consider fundamental changes in how they do business in order to achieve their objectives better. Under these conditions, we believe that it is in the interest of higher education in New England to raise additional financial resources and to provide needed transitional assistance to a wide variety of institutions in order to assure that the human and physical resources now in higher education in New England are best preserved and modified in serving the needs of the future. Obviously, with a large projected decline in the number of students, some resources will necessarily have to leave higher education. What we hope might be achieved with the help of this organization would be a shift of resources out of, and a reallocation of resources remaining within, higher education in New England that better met the needs of students, faculty, local communities, and private sector employers within the region. For this reason, in addition to the requirement that institutions be willing to plan and be willing to consider fundamental changes, they must also be willing to change in a direction that achieves a socially useful result from the point of view of higher education in the region as a whole. Obviously, there will be substantial differences

of view as to what constitutes that socially useful result. But, a failure to raise these questions and a failure to confront the difficult choices that lie ahead, will, we feel, result in a much less successful transition over the next decade, and a substantial waste of the resources currently engaged in post-secondary education in New England.

Types of Assistance to Institutions. Several varieties of assistance will be required over the next decade. One of the principal objectives of this entire exercise is to get individual institutions to begin looking five to ten years down the road in their planning and to take into account the changes that are going on throughout the system in New England. Therefore, one of the first and most important things that the organization could contribute is expertise in looking at these problems, and the organization would assist in providing such technical assistance. We envisage this being supplied either free or at subsidized rates, and we believe that a key contribution that the financially stronger institutions can make to the entire operation would be to release staff time of appropriate people to provide short-term assistance with planning of the required kinds.

In some cases, this kind of technical assistance may be all that an institution needs (and in every case it will be an important part of what is provided). But financial assistance will often be needed as well, both to make a sensible transition to a viable future possible, and to encourage institutions to take the planning and self-examination process seriously. Once plans are developed, the kinds of financial assistance may then take several forms. Some places will only need some cash flow support as they change their enrollment and staffing levels and dispose of physical property in order to adjust to new and lower levels of enrollment. Some may require assistance in merging with another institution or with several other institutions in order to find a new way of meeting the needs of the various constituents that are served by such institutions. (The need to provide a wide regional diversity of access to post-secondary education suggests to us that there may be a good deal of opportunity for creative mergers of existing institutions. Desirable mergers, we may note, may well cross both state and public/private borders.) Other institutions may need assistance in going out of business in an orderly fashion.

Another major problem area for many institutions is their large amount of "deferred maintenance." Still other institutions will need to augment or restructure their physical facilities in order to meet the requirements facing them in the 1990's. These institutions might well be assisted by grants which are part of a well-defined program of transition. Finally, one can imagine many institutions that might very well make the transition without significant net new inflows of cash, but which have such limited financial resources at present that any failure to meet their targets could be disastrous. In such cases, an appropriate form of assistance might be the arrangement of a line of credit on soft terms that would, on average, never be drawn, but which would enable the governing bodies of the institutions to make commitments and take risks that were essential to maintain the quality and purposes of their organizations.

We wish to be clear that the assistance we are talking about should be additional to the amounts of private and public funds that are likely to flow into New England post-secondary education over the next decade. Furthe', we think it is essential that the funds be made available on a contingent basis: they would only be forthcoming if the institutions involved developed plans for becoming or remaining viable in the environment that is projected for the next decade (and only where the added funds were necessary to make the plans realistic). This discretionary aspect of the assistance will doubtless be a matter of controversy and at times extreme unhappiness, as is always evident in reports on the "conditionality" of World Bank and IMF assistance. However, we believe that the transition is sufficiently difficult, and that the needs for thinking through the problem on a system-wide basis are sufficiently compelling, that the benefits from providing assistance on such a conditional basis would be much greater than the trouble that will doubtless be caused.

Sources of Technical Assistance. There are very substantial resources in the higher education system in New England now which could assist in the analysis and planning of the transition that inevitably must occur. We would propose that wherever possible a good deal of use be made of existing personnel in higher educational institutions and in the associations and state departments of education. For example, we believe that the strongest of the private sector institutions, which have been engaged in planning and analysis for many years in most cases, have individuals available in a variety of the fields that will be required in analyzing both the entire system and the individual institutions (financial management, long-range financial and educational planning, administration, marketing, physical plant management, etc.). A "bank" of individuals of varying talents could be put together by the organization's staff, and individual institutions could be asked to commit a certain amount of staff time to the work of the organization in each year.

There are also opportunities, we believe, for individuals from the private corporate sector to become involved in assistance of various sorts. On occasion there will doubtless be a need to put together a small team of individuals, or to fund a short consultancy, to assist an institution in meeting the analytical and planning needs of a particular program. We believe that a great deal of flexibility is both desirable and possible, though we need to stress that we think that the permanent core staff of the organization should be extremely small. The requirements of the system in New England are so diverse that we believe it would be unwise to try to maintain a staff of high-quality individuals on a full-time basis to meet them. Thus, our view is that a small, high-quality staff with access to individuals from institutions in the region plus access to a budget to acquire short-term services of specialized individuals would provide the most cost-effective way of dealing with the problem. It would also be consistent with our view that we do not think another bureaucracy is the answer to the problems of planning the transition for the next decade.

Sources of Finance. There are two requirements for finance for the organization's activities. The first is the operating costs for the organization itself: staff salaries, rent, travel, machines, and the other costs

of doing business. The second is for the assistance that would be provided to the institutions in the New England region based on their plans. The latter should be a large multiple of the former.

For operating costs, we would propose that the organization be financed on a long-term commitment by the initial sponsors of the organization in the form of a "quasi-endowment." This would provide for the planned use of income and principal on a self-liquidating basis over the life of the organization, and, what is very important, would remove the necessity for the organization's small staff to spend its time raising money to pay its own salaries! It seems to us that the principal benefit from having a good, small professional staff in the organization would be that it could devote its entire energies to the difficulties of assisting the transition in New England higher education. This, we believe, argues strongly for reasonable levels of up-front funding for the projected core operating costs for the organization.

The larger sums of money would be for assistance to the individual institutions. This would involve many sources of funds: state funds, federal funds, possibly the proceeds of tax-exempt bond issues, and grant assistance from foundations and corporation. Further, as noted above, we expect that the principal kind of assistance that is required during this period is transitional money that covers the costs of making the changes from a potentially insolvent to a potentially viable educational institution. Therefore, in addition to grants and "soft" loans, we think there may be substantial opportunities for "co-financing" with the commercial sources of funds in the region. In fact, the capacity of this new organization to open up sources of commercial funds for troubled institutions by putting its "seal of approval" on their plans and by advancing some funds of its own may be one of its most important features. Such co-financing could provide a substantial degree of leverage in making larger funding available to New England higher education if our model of how things are likely to work is correct.

It is not clear that all of these funds should go <u>through</u> the organization. In many cases, we would expect that the relationship between the source of funding and the institution being assisted would be direct, with the organization playing a role as broker and technical advisor to each, and in monitoring the performance of the institution in meeting its transitional development plan, particularly in co-financing with the commercial sector.

We should emphasize once more that the stronger institutions in the region (the flagship state universities and the well-financed, highly selective private institutions) will <u>not</u> be likely to receive any assistance from this organization. We believe that these institutions have a major interest in the overall health of the post-secondary educational system in New England. We believe they have a role to play, both in providing technical planning assistance and in considering the effect of their programs on other regional institutions. But we do not think that they should call upon the financial resources of the proposed organization.

Relation to public and private institutions. The organization must take both public and private higher education into account in its overview of the region's educational needs and resources, but inevitably in its operations it will relate to the two sectors in somewhat different ways. It is vital to stress that the organization must reflect a view that both public and private higher education have major roles to play in the region: the aim is not to promote one segment at the expense of another, but to work toward a system that will meet the region's educational needs in the most effective way.

Given the primary role that state governments play in financing and setting policy for public higher education, it is unlikely that individual public institutions will be candidates for financial assistance from the organization to the degree that private institutions are likely to be. Technical and planning assistance is likely to be more frequently sought by public institutions. Still, there may be cases, perhaps involving mergers or partial mergers, where direct financial assistance from the organization to individual public institutions will be appropriate.

A more important role for the organization in relating to public higher education is that of policy advocate and consultant to state higher education policy making bodies. As an organization possessing substantial technical expertise, close knowledge of New England's higher education institutions, a well-respected board, and a substantial measure of independent judgment, the organization's views on public policy should carry weight. Since it is critical in making policy for public higher education in the New England region to take account of effects across state borders as well as effects on private higher education, the organization's input to such policy choices may have considerable value. As it becomes clearer in the coming years that hard policy choices will have to be made in the states, the value of such an independent voice is also likely to become clearer.

IV. Scope of the Organization

Any discussion at this point of the quantitative dimensions of the proposed organization is bound to be highly speculative. Still, some estimates, even crude ones, of the workload and financial scope of the venture are clearly needed. The table provides some basic numbers about New England higher education that inform the following assessment.

The main target populations for the organization will probably be private institutions enrolling less than five thousand students and public institutions enrolling under ten thousand. Larger institutions would not be excluded from seeking assistance, but the larger public and private institutions tend to be relatively stable, to have larger internal resources for generating the kinds of technical analysis the organization will provide, and to have greater flexibility in adjusting structure as they change in size. Moreover, the organization would probably not have the resources itself either to analyze these larger institutions in detail, nor to provide them with meaningful amounts of financial assistance. (Policies at larger institutions have, of course, important impacts on the system as a whole, and the proposed organization may have a significant role to play in urging the larger institutions to take these system-wide effects into account.)

Among the smaller institutions, not all will either need or want the organization's assistance. Those that seek assistance will probably be disproportionately the financially weaker of these schools, and we would expect that a larger proportion of private than of public institutions will seek and qualify for the organization's assistance -- certainly for financial assistance and probably for technical assistance as well. Of a universe of 205 campuses in the (roughly identified) target population, we might expect something like one hundred to seek assistance promptly, with perhaps another fifty applying over the life of the organization.

For at least a year, we would expect the new organization to have its hands full with preliminary screening of the initial round of candidates for assistance, and perhaps with providing a certain amount of analytical advice and minor financial assistance on an "emergency" basis. The organization's paid staff would be spending its time examining and visiting one or two institutions per week to see if and how they might be helped.

The goal for that year should be to establish plans and timetables for more extensive site visits and technical assistance for institutions with whom a useful arrangement seems possible. These technical assistance teams would consist primarily of persons "on loan" from other colleges and universities or, where appropriate, from corporations and sometimes of people recently retired from such institutions. Assuming that these teams could handle altogether about thirty institutions per year, advisory teams should be able to attend to the intitial group of institutions within two to three years. (This recognizes that not all the institutions that initially express interest will wind up receiving assistance, because in some cases either the institution or the organization will decide in the course of mutual discussions that a useful result is unlikely.) While teams are in the "field", the paid staff of the organization will be overseeing their work, dealing with new applications, and, in later years, following up with schools that have received initial visits from advisory teams.

Some, but not all, of the schools receiving technical assistance will also receive financial assistance from the organization, in the form of loans, grants, or (typically) a combination. The target population of smaller schools identified above enrolls about 55% of New England's private college students and 58% of the public college students. Over its roughly ten year life, it is perhaps reasonable to suppose that the organization would extend financial assistance to as many as two-thirds of these schools. One might crudely guess that an appropriate amount of assistance to a typical school (including grants, "soft" loans, and co-financing from commercial sources) would come to something like ten percent of its revenues per year over a three to five year period.

Using these assumptions and a few others detailed in the note below, we estimate that the organization might be involved with producing new financial assistance of something like $700 million dollars (in 1983 dollars) over its

ten year life.* Of this $70 million dollars per year, we might suppose that two-fifths would come from commercial sources in co-financing arrangements with the organization, two fifths from soft loans from the organization, and one-fifth in grants. (Some of the grants and subsidized loans might be arranged by the organization without passing through it directly). This would suggest that the organization would make grants of roughly $15 million per year and loans from its own sources of $30 million per year on average, probably with relatively larger amounts being spent in the early years.

These numbers, while not small, do not seem out of reach if the organization receives significant support from foundations, state governments, and corporations. Of particular relevance is the possibility of the organization raising money for loans at below market interest rates through reliance on state authority for issuing tax free bonds.

V. Conclusion

The above has been a preliminary statement of a proposal which, if it has merit, needs a good deal of refinement and elaboration. We hope that the Alden seminar will contribute to that process of refinement, but even more that it will tackle the basic question of whether this whole project makes sense. That issue, in turn, has two parts. One is the issue whether this organization, if set up and run roughly as we've outlined, could do enough good to justify its costs. The other, and we suspect tougher, issue is whether, in the light of political and economic realities, there is any real prospect of establishing an organization with the needed funds and the needed discretion to accomplish the tasks we've described for it. We look forward to your thoughts on these questions.

* This calculation assumes that the aided schools have revenues per student that are modestly below the average for all institutions and that inflation of 40% should be allowed for in converting the 1979 revenue figures to 1983 equivalents. Assuming that the typical school receives four years of aid at an annual rate of ten percent of its current fund revenues, that two thirds of the target schools are aided, that the target schools expend one half of all current fund revenues in New England higher education, and allowing forty percent for inflation, the computation is that total aid = 4x.1x(2/3)x(1/2)x3.728x1.4 = $.696 billion which is rounded to $700 million in the text.

Selected Statistics on New England Higher Education

Financial Statistics (1979) ($000,000)	Public	Private
Current Fund Revenues	1,255	2,473
Tuition and Fees	199	1,023
Endowment Income	2	184
E & G Expenditures	989	2,000
Book Value of Physical Plant (end of year)	2,247	3,237
Endowment (Market Value - end of year)	46	3,629
Enrollment (Fall 1978) ('000)		
Total	366	347
Undergraduate	259	251
Full-time undergraduates	197	203
Enrollment Size Distribution ('000 f.t.e.)	(number of institutions in parentheses)	
Size of institutions:		
1 - 1,000	18 (23)	35 (98)
1,000 - 2,499	44 (15)	62 (33)
2,500 - 4,999	30 (9)	50 (12)
5,000 - 9,999	103 (15)	67 (9)
10,000 - 19,999	70 (6)	29 (2)
20,000+	68 (3)	20 (1)

Source: Opening Fall Enrollment and Financial Statistics of Higher Education, Department of Education, 1982

Comments by Jill K. Conway

In Support of a Development Corporation for Higher Education in Massachusetts

I am very glad that Michael McPherson and Stephen Lewis have prepared their paper today on a Proposed New England Higher Education Development Corporation. The paper grows out of discussions which Michael, Steve and I have had for some time now over the best way to develop a mechanism for planning which will assist the entire higher educational system through the economic and demographic transitions of the late 1980's. I believe it is in the public interest to preserve an active and vital segment of private institutions within the total system, to ensure a widespread motivation for volunteerism and private giving in support of the costs of higher education. I also believe that we cannot approach the planning issues of the 1980's without moving beyond the narrow perception of conflict between the private and public sectors in the higher educational system to a system wide view which sees the public and private missions as complementary. The public and private institutions within the system do have equally important and complementary missions. The public system is essential for the maintenance of access and of service of the needs of a variety of constituencies at a state or regional level. The private system has a complementary mission, but its constituency varies from the national one of institutions like Williams, Amherst, or Smith and the more local ones of institutions like Emerson College, or Pine Manor, or Western New England College. We need to retain the full mix of diversity in scale and type of institutions within both the public and the private sector because of the different kind of investment in the individual student each type of institution can deliver. As I see it, the planning problem which faces us as we move into the mid-80's is the problem of preserving the human and physical capital resources which have been accumulated in the diverse pattern of public and private higher educational institutions we have today. That pattern is characteristic only of the United States and the health and vitality of the diverse institutions which make up that pattern will be a major factor in the nation's response to the need to restructure its economy and develop new initiatives to cope with the social problems and opportunities caused by the country's changing demography. The challenge which Mike and Steve's paper addresses is a problem of planning for a system with a variety of intersections between public and private institutions with a call on the resources both of the government, the non-profit sector, and the profit-making capital markets. Their recommendations are for the creation of a new type of planning organization which would permit planning for the system, but retain the opportunity for private initiative within that planning effort.

Being a historian, it is natural for me to look at the changes we can expect in the future from the perspective of the history of education and its intersection with government and the private sector during previous periods of rapid economic and demographic change. If we look at the scientific revolution of the 18th Century or the rapid developments in applied science and engineering of the 19th Century, we can see how drastically the missions of various educational institutions' work were modified in response to rapid social and economic change. Today, we are looking toward a quite far reaching technological change for this society with very significant ramifications in the restructuring of the economy. These are changes which must take place within the framework of a change in American demography which must have a major impact on its cultural institutions. The question for us as persons concerned with the strength of American higher education is how to maximize the benefits of those intersecting trends in technology and demography so as to preserve the human and physical capital accumulated from the past and maximize the capacity of the system to meet society's educational needs. We all know that strategic planning is necessary to accomplish such a purpose, but within our mixed economy and our federal system we look the institutions to manage such strategic effort. Mike McPherson and Steve Lewis have given careful thought to this question and have a recommendation for a regional approach which I endorse very strongly.

If we look to the system wide mission of higher educational institutions in New England, it is, I think, clear that we want to maintain the place of higher education as a significant segment of the economy of the region. This will require strong private institutions which continue to draw a student body nationally and internationally, with public institutions which continue to serve more specific regional needs of educational development and professional training to meet the manpower needs of the region. We are seeing in Massachusetts the first development of a highly encouraging willingness to cooperate between the Chancellor of the State Board of Regents and the Association of Independent Colleges and Universities of Massachusets. Provided the scale of cooperation were not too vast and impersonal, it seems to me highly likely that Mike and Steve are correct that a collaborative approach to system wide planning could be developed for the entire New England region.

In order to maintain the vitality of the private sector and the efficiency of the public, it will be important to ensure that the kind of planning effort which is developed will be strategic in its goals rather than bureaucratic, will have the capacity to develop new approaches to financing higher education and will be carried out through a mechanism which will self destruct when the system reaches a period of relative equilibrium and slow growth in the 1990's. Let me expand a little on what I mean by calling for strategic and entrepreneurial planning rather than a bureaucratic effort. We all know that the bureaucratic mentality stifles innovation and places the preservation of the bureaucracy ahead of change. The approach to planning which Mike and Steve are recommending is an approach which would prevent the development of a bureaucracy by establishing a very small, low overhead planning effort in which all the planners but a tiny staff had other affiliations and which could not perpetuate itself beyond a stated period of time. What they recomment is a small, high talent staff which could call on leadership from both the public and private sector, from government, from business, and from higher

education to foster a planning mentality within the entire spectrum of higher education and provide the relatively small strategic infusions of funding which could be critical for redefinition of mission and which could be very hard to achieve internally because of the nature of the governance of academic institutions and their balance of political constituencies. The existence of such an agency could provide the leverage for leadership wherever it existed and a small but powerful staff could play a highly useful educational role. The same agency could be a center for innovation in the financing of higher education both with respect to the financing of tuition and the raising of capital to deal with the problems of deferred maintenance and system redeployment. They could also play a critical role as expert advisors where tough decisions had to be made for the benefit of the system in the redeployment of institutions or the merger of institutions both public and private. It seems clear that we will need to rethink the financing of the system with a tax supported or supported through private tuitions as we move through the 1980's. We may need a different mix of federal and state tax monies and a wider call on the tax exempt capital market as currently available. A non-profit higher educational development corporation of the kind sketched out in Steve and Mike's paper could maximize the impact of federal, state and foundation funds if it were a broker between institutional planners and new sources of funding.

There are, of course, many objections to the development of such a powerful planning body placed in a position to influence every level of government and the philanthropic community. The governance of such an institution would require very serious and careful thought and the selection of leadership and staff would be critical. The independence of funding and the impartiality of the source from which the quasi-endowment to support it were derived would be pre-conditions for success. The possibility that the planning body might be immobilized by conflicts between the public and private sector is real. However, the benefits to be gained seem to me to be well worth the effort. One could argue that Massachusetts presents the ideal base from which to launch such an initiative. It is an ideal setting because of the relative size of the two sectors (roughly evenly balanced), because of the place of education in the state economy, and because of the diversity and scale and type of its educational institutions. In any event, I hope we can give very serious thought to the proposal presented in the McPherson/Lewis paper. I am convinced that the health of both public and private higher education in Massachusetts requires action which goes far beyond the development of an agreed upon and fair system of pricing. The needs for planning are system wide and they must be assessed in a time frame which allows more systematic study and a longer time horizon than is possible through the annual work on public-private cooperation which is beginning to develop in the state budget cycle. I would like to see the Alden Seminar focus on this issue and this issue only for the remainder of the year and to explore the development of such a non-profit organization with its counterparts in other New England states.

A MASSACHUSETTS HIGHER EDUCATION DEVELOPMENT CORPORATION: A first Step

Delivered to the Alden Seminar of Higher Education
on Wednesday, October 26, 1983
by Dorothy N. Marshall and Franklin Patterson

Introduction

The issues confronting higher education in Massachusetts in the next decade are multiple and diverse. . . as is higher education itself. Many of them have been identified and discussed in the Alden Seminar White Paper series. Solutions to these problems have not been as forthcoming as problem identification. This is due, in large part, to the fundamental realization that there is no panacea for higher education in that it is not monolithic, that no two institutions are affected by the same problem equally, and that this diversity of condition is generally viewed as good.

Institutions of higher education, public or private, large or small, do share certain tendencies and traditions. Large among these tendencies and traditions, particularly in times of distress, is an institutional aversion to change. Aversion and obstruction may take many forms: administrations are loathe to offend or upset the various shifting constituencies; students, in the main, cling to the expectation that the school from which they will graduate is essentially the same one they chose to enter; faculty, aided and abetted through union contract, tenure, and academic tradition will opt for indefinite study and discussion over direct and immediate action; and the traditional outside support structures currently in place -- be it one of the federal agencies, the state through the executive or legislative branch, or private or corporate philanthropy -- tend to operate most happily within the familiar context and strictures of the status quo.

These conditions lead to a paradoxical situation in Massachusetts. On the one hand is evidence suggesting that the next decade will require significant change and improvement in the operation of Massachusetts' higher education sector. On the other is a large amount of evidence which suggests that change will not be forthcoming under the present operational set-up. If this is indeed the case, it seems likely that some institutions will fail. Some should, but there is the danger of losing some that should not.

This paradox suggests a missing element -- a catalytic vehicle for developing creative change while maintaining the integrity, diversity, and excellence of the present higher educational structure. To this end we suggest the establishment of a Massachusetts Educational Development Corporation.

Massachusetts Educational Development Corporation

Within the past several years notable efforts, including this Seminar, have shown that it is not unrealistic to organize for higher education on an inclusive and state-wide basis. There has developed a sense of consensus that -- public or private, large or small -- all institutions are unwilling participants in a community of concern. This concern is steadily gaining recognition of Beacon Hill and in the public consciousness. An initial step towards addressing this communal concern appears best organized on a state-wide basis. Massachusetts is unique in its reliance on higher education.

Massachusetts higher education is, when compared to most other states, organized, geographically compact, well-informed about its constituent elements, and has ready access to those in positions of change-making authority. Cooperation and consensus are best developed from strength and common experience. Constructive change is best accomplished through cooperation and consensus. Therefore, as an initial step, we propose that the Corporation begin as a Massachusetts institution -- limited to the state but encompassing the entire state. This constituency has the dual virtues of being large enough to be self-sufficient and broadly inclusive, but small enough to share a strong common interest and appreciation of mutually strengthening creative complementarity. The model outlined in this paper may well be replicated in other states, or, in future years, similar regional efforts may develop. As a necessary first step, however, we believe the Corporation must proceed from strength.

The Corporation is intended to be catalytic. Its program of grants and loans will be structured to free higher education from the constraints of the traditional bureaucracies and immobile constituencies which have combined to frustrate both long-range planning and short-term change. It is designed to give an institution the ability to take quick advantage of an immediate target of opportunity. The Corporation will also serve as an incentive for creative action and as a response mechanism for imaginative initiatives.

It is seen as being somewhat analogous to the World Bank. The Corporation will award grants and loans for innovative programs, but will mandate as preconditions for these awards institutional contribution and commitment to the program and programmatic integrity within the institution's clearly expressed long-range plan. Its staff, operations, and procedures would be lean, organized to permit rapid development of the proposals submitted. Its program would discourage the peripheral and the perfunctory, and would encourage institutions to work on what they consider to be the most important task or problem they face, taking into account their strengths, weaknesses and sense of institutional mission.

The Corporation would be designed to assist higher education in Massachusetts to adapt to the changing circumstances of the next decade -- to carry what has been established in higher education through demographic depression and to maintain the system which will be needed for the college-age population upswing in the nineties. Its primary source of funding would be state appropriation, enhanced by corporate and philanthropic contribution. It would be independent, and its governance would be designed to avoid domination by any particular interest group. The Corporation would be characterized by low overhead and an absence of traditional education administrators and government accountants.

A first task of the Corporation would be to develop very carefully constructed guidelines for applicants. Excluded from consideration, as we see it at this time, would be funding for "bricks & mortar" physical construction; funding for increased endowment; funding for program maintenance; and funding for programs non-integral with the institution's central mission. Proposals

should give evidence of institutional ability to accomplish what is proposed; should demonstrate how the proposal is central to the change the school feels is necessary for future institutional direction; and it must show an institutional commitment to the program.

Corporation grants will be modest, but will be positioned for attaining maximum leverage. Institutional need will be a major criterion for these awards, in that the neediest institutions are often in the greatest need of change. The Corporation will encourage the developing of a multiplier effect in its awards.

Programs entitled to support may be as major as developing innovative approaches to student financing or imaginative approaches to non-traditional target populations, to being as basic as paying for early retirement of certain senior faculty to permit programmatic renewal. Possible examples include:

- Sending a chemistry professor to spend a year at a major computer company to attain both computer literacy and a sense of where the field is going.
- Sending a professor of Russian Studies to Brookings, for example, to achieve greater economic literacy so that the institution can become part of a program in international economics.
- Sending faculty to other states to look at and adapt new curricula.
- Creating fellowships for "best and brightest" young faculty to work under master teachers.
- Encouraging programmatic interaction with community colleges and secondary schools.
- Encouraging programmatic interaction with the corporate sector.

As can be seen, the Corporation is designed to help nurture those ideas that do not fit existing patterns or programs. They are not always central to the institution's primary program, but they are integral with the long-term institutional mission. As such they meet the criteria for developmental change. Such change is needed throughout higher education in Massachusetts. Due to an exceptionally rigid and restrictive budget process, change is more often difficult to accomplish in the public sector institutions. Accordingly, the Corporation will be established to assist in meeting the needs of all of Massachusetts higher education, large or small, public or private.

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James T. Amsler is President of Salem State College. He has also served as President of North Adams State College and as Associate Director of the Division of Massachusetts State Colleges.

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Jill Conway has served as President of Smith College since 1975. A historian, she is a graduate of the University of Sydney and earned her PhD at Harvard. She serves also as a Director of IBM World Trade and of Merrill Lynch Co. She is President of A.I.C.U.M. in the present academic year.

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Robert A. Corrigan has been Chancellor of the University of Massachusetts/Boston since 1979. Previously, he was Provost at the University of Maryland, and before that Dean of Arts and Sciences at the University of Missouri/Kansas City. A graduate of Brown University and the University of Pennsylvania, he has been a member of the faculty of Bryn Mawr College, the University of Pennsylvania, the University of Iowa and the University of Gothenburg in Sweden.

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John Duff was appointed first Chancellor of the Board of Regents of Massachusetts Public Higher Education in June 1981. From 1976 to may 1981, he served as the first President of the University of Lowell. Prior to 1976, Dr. Duff spent sixteen years at Seton Hall University as a professor and administrator. He is a member of the Board of the Massachusetts High Technology Park.

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Robert Garver is President and Chief Executive Officer of Neworld Bank for Savings. Following his undergraduate studies at Dartmouth College he attended Harvard Business School and Brown University.

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John P. Hamill is President of the Shawmut Corporation. He is a graduate of the College of the Holy Cross, where he serves as Trustee, and of the New York University Law School. He is also a Trustee of the New England College Fund, the Institute of Contemporary Art, and is on the Executive Committee of the Massachusetts Taxpayers Foundation.

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George W. Hazzard is President Emeritus of Worcester Polytechnic Institute. He has also served on the Massachusetts Board of Regents of Higher Education and is a Director of Project QUILL (Quality in Liberal Learning) and Project MAP (Minority Achievement Program) for the Association of American Colleges.

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Joseph P. Healey, counsel to the law firm of Nasson and Hoban, served as President and Chairman of the Board of Bay Bank Middlesex. He was Chairman of the Board of Trustees of the University of Massachusetts for a number of years and has been a member of the faculty at Boston College Law School.

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Dr. William J. Holmes is the fourth President of Simmons College. He is a member of the American Council on Education, the Women's College Coalition, and the Executive Committee of the Association of Independent Colleges and Universities of Massachusetts.

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Elizabeth Kennan has been President of Mount Holyoke College since 1978. Before that she was Associate Professor of History at Catholic University of America where she was Director of the Medieval and Byzantine Studies Program. She serves on the Council on Foreign Relations and is Chairman of the Commission on Government Relations of the American Council on Education.

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David C. Knapp has been the President of the University of Massachusetts system since 1978. Prior to that he was Provost of Cornell University. He has also served as Dean of the New York State College of Human Ecology at Cornell and as Director of the Institute of College and University Administrators of the American Council on Education.

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Roderick M. MacDougall is Chairman and Chief Executive Officer of the Bank of New England Corporation. A graduate of Harvard, his educational activities include service as a Trustee of Northeastern University, former President of Tri-Lateral Council for Quality Education, and present Chairman of The Education Task Force of the Massachusetts Business Roundtable.

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Dorothy Marshall is a Commonwealth Professor Emeritus at the University of Massachusetts at Boston. Her academic fields of interest are Political Science - Latin America, and Spanish. She is a former Trustee of Holy Cross College, a former Trustee and Chairman of the Board of Smith College, currently serves as Trustee of Bryn Mawr College, Neworld Savings Bank, the Ford Foundation, Pan American Society of New England and Northfield/Mount Hermon School.

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Harold T. Miller is Chairman of the Board and Chief Executive Officer of Houghton-Mifflin Company, a Boston-based publishing firm. He is a Trustee of Franklin and Marshall College and of Babson College. Mr. Miller is also a director of the Bank of New England.

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Mr. Melvin Miller became a partner of Fitch, Miller and Tourse in June 1981. He is a Trustee of Boston University (Member of Executive Committee), of the New England Conservatory of Music, and of the Boston Zoological Society. He is a graduate of Harvard College and the Columbia University School of Law.

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Paul Morgan is President of Morgan Construction Company; he is the fourth generation of Morgans to serve in that capacity. Mr. Morgan is a graduate of Harvard University.

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Franklin Patterson is Boyden Professor of the University at the University of Massachusetts, Boston. A political scientist, he has taught at NYU, Tufts, Hampshire, and the University of Massachusetts. He directed the Lincoln Filene Center at Tufts, was the founding President of Hampshire 1966-71, and Board Chairman there 1971-74. He was interim President of the University of Massachusetts in 1978.

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Harold E. Shively is the founding President of Bunker Hill Community College in Boston, Massachusetts. He was also the founding President of North Shore Community College in Beverly, Massachusetts. An educational consultant, President Shively has worked with governments of many countries including Argentina, Venezuela, Israel, England, Surinam and Jamaica. He is Vice President of the Community Colleges Cooperative for International Development, Inc.

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Brunetta R. Wolfman became President of Roxbury Community College in January 1983. Prior to that she was Director of Planning and Development for the Massachusetts Department of Education. She has also been Academic Dean at Wheelock College, Assistant Vice President for Academic Programs at the University of Massachusetts, and Assistant Professor and Assistant Dean at Dartmouth College.

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